

Role of Global Supply Chain Strategy in Control of Transfer Pricing in the EAEU Countries

Zauresh Zaurbekova^{#1}

[#]*Department of Finance, Turan University, Almaty, Kazakhstan*

¹*zaursh-zaurbekova@live.ru*

Abstract— The article discusses features and problems of supply chain strategy in control of transfer pricing in member states of the Eurasian economic Union (EAEU). A comparative legal analysis of national legislation in the field of transfer pricing in the EAEU countries, in particular Armenia, Belarus, Kazakhstan, Kyrgyzstan and Russia, was carried out. The EAEU countries' effectiveness in implementing international norms and standards in the studied area is evaluated. Special attention is paid to the implementation of the Base erosion and profit shifting (BEPS) Action Plan. The study defines the role of the Organization for Economic Cooperation and Development and the Eurasian Economic Commission in regulating transfer pricing in the EAEU. The study also considers issues of assigning transactions to the category of controlled transactions, determining market prices, and information exchange between regulatory authorities. d. The authors conclude with some observations about the nature of global supply chains, the value of international trade statistics and a hidden advantage of an integrated firm operating on a global scale the ability to somewhat arbitrarily select the activities to which profits should be allocated. For nation states, as supply chains become more international and complex, critical measures, such as gross domestic product, worker productivity, etc., are becoming ever more imprecise. The economic geography of cost of inputs and profits continue to separate as multinational enterprises drive the disaggregation of value creation and value capture. Based on the results of the analysis, recommendations were made regarding the coordination of EAEU countries' efforts in the sphere of transfer pricing supply chain strategy.

Keywords— *transfer pricing, market prices, controlled transactions, EAEU, supply chain strategy, global market.*

1. Introduction

Companies increasingly are dealing with suppliers and buyers from around the world, and they routinely confront supply chain frictions [1-3]. Supply chain

management seems to have gained increasing importance with the advent of multinational enterprises. The development of transfer pricing has become global in recent decades and covers the vast majority of the world's foreign trade. The rapid growth of vertically integrated structures, such as holdings, transnational corporations (TNCs), etc., has led to the emergence of many transactions between companies that are owned by the same corporation and located in different countries.

The appearance of transfer prices in the world is associated with the 50-60s of the XX century. This period is associated with the appearance of large TNCs. By the early 1980s, there were about 1.5 thousand companies in the United States and more than 300 companies in the United Kingdom that actively used transfer pricing. This process was less active in Japan, where there was a greater attraction to large centralized organizational structures [1].

Every year, more and more corporate structures appear in the EAEU member states, for which the use of transfer pricing is a necessary condition for their further development.

The system of legal supply chain strategy of transfer pricing in the EAEU member states is currently at an initial stage of development. [2] Within EAEU, there are still no legal institutions designed to balance the rights and obligations of tax authorities and taxpayers with regard to adjusting transfer prices for transactions between related parties.

This study aims to develop recommendations for solving basic problems in the field of transfer pricing supply chain strategy in the EAEU member states. A comprehensive comparative legal analysis of the experience of transfer pricing tax supply chain strategy in the EAEU member states was carried out. Transfer pricing legislation was studied. Mechanisms for convergence and harmonization of EAEU member states' legislation were developed. The recommendations were developed taking into account the financial interests of states and corporations when using transfer pricing mechanism.

2. Methods

This study is aimed to consider key transfer pricing issues. The research strategy is to collect, analyze and interpret information from various sources, paying attention, first of all, to the rules and procedures that apply to transfer pricing in the EAEU countries.

The study applies systematic approach. The author used general scientific methods: analysis and synthesis, induction and deduction, ascent from the abstract to the concrete.

In the process of preparing the work, methods of desk research were used to collect and evaluate information (statistical data and reports). The sources used were normative acts of the EAEU countries, scientific literature, articles, Internet publications on transfer pricing, etc.

An informal method of document analysis was used. Standardized methods for analyzing information were not used. A detailed analysis of each source was carried out. The informal method implies the usual 'perception' of the text, the allocation of semantic blocks of ideas and statements in accordance with the goals of the analysis. The study was based on general logical laws and rules for analysis, comparison, definition, and evaluation.

To improve the reliability of the analysis, its procedure included external and internal examination of documents. External analysis is about studying causes of the document's appearance, its idea. The task of external analysis is to identify the time and place of document's appearance, establish authorship, publication goals, and external factors that have influenced the document's content. External analysis contributes to the correct interpretation of the document's facts and judgments. Internal analysis focuses on examining document's facts, judgments, and ideas.

The author studied theoretical basis of transfer pricing, analyzed the current situation in the sphere of state supply chain strategy and control of transfer pricing at the international level and in the EAEU countries. In order to form the most complete picture of the studied sphere of economic relations, both theoretical and practical materials were used.

At the initial stage of practical study, transfer pricing supply chain strategy features in the EAEU countries were analyzed. Existing control procedures and a range of shortcomings and problems were outlined. Based on the analysis of transfer pricing supply chain strategy and control system in the EAEU countries, recommendations were developed to improve this system.

At the final stage of the study, the issues related to transfer pricing in the EAEU countries are considered.

3. Literature review

In current industrial supply chains practice, the prevailing organizational structure is based on decentralized decision making [4-10]. Clearly, there is a need to build in performance measurement mechanisms to facilitate efficient supply chain coordination. Transfer-pricing schemes are one instrument used to coordinate the actions of divisional managers and to evaluate their performance in a decentralized firm. In the economic literature, research on transfer pricing issues has begun in the second half of the XX century. At the moment, there are many scientific papers on this issue that are of great interest [11-16].

The authors' views on 'transfer pricing' concept can be classified depending on the entities that set transfer prices (Fig. 1).

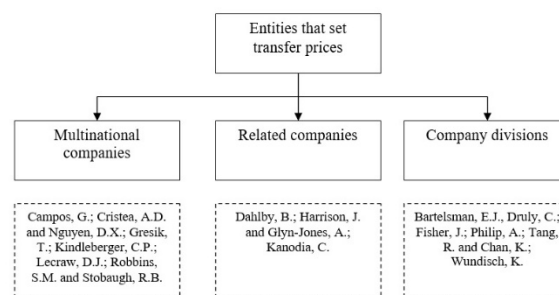


Figure 1. Entities that set transfer prices

The first approach states that the transfer price is the price that is set in transactions between multinational companies. Many authors use the terms 'transnational corporations', 'multinational enterprises', and 'global companies' as synonyms.

According to the second approach, the transfer price is set between associated (related) enterprises. Similar definitions in the economic literature include such terms as 'affiliated', 'related', and 'belonging to the same group'. At the same time, the authors consider different levels of control of one company over another.

A third group of authors argue that transfer prices are primarily intra-firm prices that are formed in the process of constant exchange of resources (goods, works, services) between company divisions. This interpretation of the 'transfer price' concept was formulated by [15]. Such interpretation refers to research in the field of economic theory and management accounting.

Thus, the transfer price is understood as the price that is set when products (intangible assets, works, services, etc.) are transferred by one division of the company to another division or between separate companies that are part of a vertically integrated structure. The process of setting this price is called 'transfer pricing'.

Based on the definition of 'transfer price' concept, the following transfer pricing types can be distinguished:

- 1) Internal transfer pricing.
- 2) External transfer pricing.

Each type corresponds to specific goals that companies pursue when setting transfer prices. Various points of view of some authors on the issue of transfer pricing goals were investigated and systematized. Table 1 shows some of them. Transfer pricing can be investigated using various economic theories. The most famous of them is the theory of optimal transfer prices. The founder of this theory is the American economist [17]. He investigated the issue of setting transfer prices in a model with a vertically integrated structure, and substantiated an optimal transfer price concept. Companies make additional profit by transferring goods at a price higher than the marginal cost, but lower than the market price. At the same time, a company that produces the final product receives the information necessary to generate the optimal production cost. In addition, Hirschleifer later wrote a number of papers where he built models for a multinational company with divisions in different countries with different customs, duties and tax rates.

Fisher [18] had similar views on the formation of transfer prices. This author studied the transfer pricing practices of 19 firms to identify principles that organizations could use to implement transfer pricing policies specific to their business. As a result of the study, a general rule was determined. Namely, the internal transfer price should be equal to the standard variable product costs plus the alternative cost associated with external sales that have been lost due to internal sales. The theory of optimal transfer prices was also considered in the works of [19, 20].

The theories of transfer pricing take an important place in microeconomics. These theories are important for firms to make critical management decisions. Thus, the issue of setting the optimal transfer price is critical for vertically integrated companies.

4. Results

The EAEU is an international organization of regional economic integration, established by the Treaty on the Eurasian Economic Union as of May 29, 2014. Among the purposes of creating the EAEU were as follows: ensuring the freedom of movement of goods, services, capital and labor; conducting coordinated and unified policy in different sectors of

the economy, etc. EAEU member states are the following: Republic of Armenia, Republic of Belarus, Republic of Kazakhstan, Kyrgyz Republic, Russian Federation. Within this integration, the Customs Union of the Eurasian Economic Union (CU of the EAEU) was established [21].

Today, the situation in the sphere of transfer pricing supply chain strategy in the EAEU member states is changing. Thus, the Republic of Armenia and the Kyrgyz Republic are developing legislation on this issue. Other EAEU countries already have a full-fledged legal architecture and sufficient law enforcement practice.

The most important documents in force in the field of transfer pricing signed within the framework of the Eurasian coordination are [22] as follows:

- 'Protocol on the exchange of information in electronic form between the tax authorities of the Customs Union member states on the amounts of indirect taxes paid' as of December 11, 2009. In accordance with this document, the Customs Union controls the collection of indirect taxes for the export and import of goods, works, and services in the Customs Union.
- 'Protocol on exchange of information on transfer pricing control between tax and customs authorities of the member states of the Eurasian economic community' (predecessor organization of EAEU).

Currently, the EAEU countries independently monitor vertically integrated structures by classifying them as a separate category of taxpayers based on financial and economic indicators of their activities. EAEU countries also register such structures with specialized inspections taking into account their industry affiliation and search for adequate tax and customs administration mechanisms.

Recently, the Eurasian Economic Commission (EEC), the permanent supranational regulatory body of the EAEU, has begun intensive work on the analysis of EAEU member states' activities concerning implementation of the Base erosion and profit shifting (BEPS) Action Plan [23]. This plan was presented at the G20 summit in 2015.

The BEPS Action Plan is a turning point in the history of international tax cooperation. It provides for changing The Model Tax Convention on Income and on Capital of the Organization for Economic Cooperation and Development (OECD) [24] and preventing the provision of tax benefits in certain circumstances. In accordance with the BEPS Action Plan, changes are to be made to the internal legislation of the OECD member countries in order to prevent tax evasion and tax base erosion, etc. Actions 8, 9 and 10 of the BEPS Action Plan provide recommendations for improving the transfer pricing

rules, including ensuring that the transfer pricing rules match the actual transaction value (primarily for intangible assets) in terms of risks and capital, and for other high-risk transactions.

EAEU member states plan or already implement the measures specified in the BEPS Action Plan, taking into account the economic, social and political realities of each country [23].

As of January 1, 2020, the rules governing transfer pricing came into force in Armenia. These norms are established by the Tax Code of Armenia [25]. The country's Revenue Committee has started work on the introduction of transfer pricing supply chain strategy and control.

In particular, the experts have developed draft legal acts that will be presented to interested parties in the near future. Thus, within the framework of the program 'Assistance to improve tax compliance', implemented with the British 'Good governance Fund', procedures for transfer pricing methods' application, approval procedure methods, as well as the arm's length principle implementation have been developed. This principle states that tax authorities evaluate transactions between affiliated companies as transactions made under the laws of the market. That is, the affiliated parties have the freedom to determine the price of products or services, but the fiscal authorities proceed from market prices and calculate the tax base accordingly [26].

International experts spoke about the developed projects, and discussions were also held with Armenian taxpayers. Discussions are periodic and their goal is to ensure smooth and effective implementation of transfer pricing supply chain strategy.

In the Republic of Armenia, in the process of changing tax legislation, the state has not set a goal to fully implement the BEPS Action Plan. However, some amendments and changes have been made to the tax legislation. These amendments are in one way or another aimed at limiting the possibility of concealment or unjustified understatement of tax base by taxpayers. In other words, they can be considered as corresponding to certain provisions of the BEPS Action Plan.

Belarus has not yet accumulated sufficient experience in controlling transfer prices. The corresponding rules (article 301 of the Tax Code) appeared in this country only in 2012, but they were put into practice in the second quarter of 2013. Legislators could not determine the amount of controlled transactions for a long time: in 2012, this amount was 20 billion BYN, in 2013 it increased to 60 billion BYN, and now it is

400 thousand of denominated BYN, i.e. about 67 thousand USD. In comparison, Russia has a threshold of 60 million RUB (about 0.9 million USD), while Armenia has a threshold of 1 billion AMD (about 2.5 million USD) (Neg.by, 2018). The choice of audited entities also differs – in the Russian Federation these are any interdependent entities, in Kazakhstan more attention is paid to offshore companies, in Belarus – to foreign trade transactions, including those that involve offshore companies, as well as to real estate transactions.

The main ways to control transfer prices in Belarus are monitoring and tax audit. Taxpayers are notified of the need to independently adjust the tax base.

On January 1, 2019, the updated version of the Tax Code of Belarus entered into force with many changes that are both significant and editorial in nature.

As part of a comprehensive adjustment of the Tax Code of Belarus, the transfer pricing rules have been significantly revised and improved. As a result, the updated Tax Code contains Chapter 11 on transfer pricing rules [27].

It should be noted that transfer pricing rules update is caused by the need to align Belarusian tax legislation in this area with the approaches adopted within the framework of the OECD and applied in many countries of the world. In particular, the OECD Transfer Pricing Guidelines for Multinational Enterprises and Tax Administrations [24]. As a result, an important change was the elimination of an acceptable 20% deviation from the market price range.

The Republic of Belarus, represented by the Ministry of Taxes and Duties, has been working closely with the OECD since 1999, in particular with the OECD Center for Tax Policy and Administration. By OECD's invitation, the Ministry annually participates in practical seminars on tax issues held in Ankara, Budapest, Vienna, and other OECD events [28].

The OECD Model Convention on the avoidance of double taxation with respect to income and capital is the basis for the negotiation and conclusion of agreements on the avoidance of double taxation by the Republic of Belarus. When interpreting the provisions of tax agreements, the Republic of Belarus adheres to the OECD principles set out in the Comments to the Model Convention.

Many double taxation agreements are based on the OECD Model Convention. The role of the latter in legal supply chain strategy of international tax relations in the Republic of Belarus is very significant. OECD Model Convention contributes to understanding how tax agreements should be applied and interpreted.

Kazakhstan was the first among the CIS countries in 2001 to start legal supply chain strategy of transfer

pricing relations. This was facilitated by objective circumstances. In 2000, there was a decrease in tax revenues and capital leakage from Kazakhstan [22]. In 2001, the Law of the Republic of Kazakhstan N136 II as of January 5, 2001 'On state control in the application of transfer prices' came into force. In 2009, this supply chain strategy was replaced by the Law of the Republic of Kazakhstan No. 67-IV 'On transfer pricing'. The purpose of state supply chain strategy in this case was to exclude budget losses in international operations. This law has now undergone significant changes.

The Government of the Republic of Kazakhstan is now considering making additional changes to the legislation in accordance with BEPS Action Plan. The Ministry of Finance is to work in this direction, including on management and inter-sectoral coordination in the field of countering the legalization (laundering) of proceeds from crime.

Kazakhstan's experience in legal supply chain strategy was positively received in the EAEU States. However, the work of lawmakers in Kazakhstan is poorly coordinated with other EAEU states. All changes are in accordance with the OECD recommendations that are considered separately by each EAEU member state.

Transfer pricing in Kyrgyzstan is not specifically regulated. In this country, only pricing is regulated for tax purposes in general [23].

The Russian Federation is now actively implementing the BEPS Action Plan. The Russian Federation is interested in adapting its tax legislation to international standards.

As indicated by the Ministry of Finance of the Russian Federation, the implementation of OECD recommendations in Russian tax practice should take into account the specifics of Russian legislation on taxes and fees. Clarification of Russian tax rules for transfer pricing in accordance with OECD recommendations will allow assessing the risks of companies doing business in Russia using non-market pricing mechanisms or abuse of tax law.

The Ministry of Finance of the Russian Federation has prepared a draft Federal law 'On amendments to Part One of the Tax Code of the Russian Federation (in terms of preparation and submission of cross-country reports)'. The project provides for improving the effectiveness of measures implemented within the framework of tax control over prices in cross-border transactions. The draft Federal law provides for a mechanism for collecting information by the tax authorities of the Russian Federation that is necessary for exchanging information with the competent

authorities of foreign countries. Thus, the draft Federal law imposes obligations on taxpayers who are members of an international group to submit a notification to the tax authority about their participation in an international group and cross-country reporting [23].

Based on the analysis of the mechanisms of state supply chain strategy and control of transfer pricing in the EAEU countries, the following conclusions can be drawn. EAEU member states' legislators have not yet coordinated their work on transfer pricing. There is no regulatory act in the field of transfer pricing in the Eurasian space that coordinates the actions of member states' fiscal authorities. There are also no acts detailing the main standards in the field of transfer pricing.

Within the EAEU, there is an Advisory Committee on tax policy and administration, whose main task is to improve tax administration, including tax control over transfer pricing in member states. However, in the EAEU member states, there are no significant legal institutions designed to achieve an optimal balance between the positions of competent state bodies and taxpayers in relation to the adjustment of transfer prices for transactions between related parties.

Already today, it can be said that the EAEU member states are intensively working on the implementation of some measures proposed in the BEPS Action Plan. The EAEU member states are not included in OECD. In this regard, most of the documents of this organization are not normative but advisory in nature for these countries. Moreover, OECD documents are not full-fledged sources of law for any of the OECD member states, however, these documents are taken into account by these states' authorities when forming tax policy and law enforcement, and by taxpayers in their practical activities.

In order to give the OECD documents legal force and eliminate possible contradictions, the EAEU member states can incorporate their provisions into national legislation.

Some EAEU countries comment on certain provisions of OECD documents. This can be explained by the fact that in different conditions of social and economic development, state policies cannot always form a uniform tax policy based on OECD principles. Therefore, when a country is planning to apply and implement the measures proposed by this organization in its legislation, as already mentioned, it is important for this country to take into account the peculiarities of its economic and social development.

5. Discussion

In order to ensure uniform, competitive, and non-discriminatory tax conditions for economic entities participating in foreign economic activity, it is proposed to improve the system of transfer pricing supply chain strategy within EAEU. The basis for consideration of this issue is the basic agreements on tax authorities' interaction in controlling transfer pricing, adopted within the framework of the EAEU. In addition, the OECD Transfer Pricing Guidelines for Multinational Enterprises and Tax Administrations and the BEPS Action Plan should be taken into account.

The OECD recommendations can be very useful in the EAEU. However, they are designed for developed countries, while Armenia, Belarus, Kazakhstan, Kyrgyzstan and Russia have different economic structures. Nonetheless, there is a common feature – measures to limit transfer prices have appeared in response to the abuse of tax minimization in companies. At the same time, businesses are more often interested not in their own correct actions, but in tax authorities' actions in a given situation.

The OECD recommendations should form the basis of tax policy in EAEU, according to the partner of the law firm 'Advice House & Partners' Talant Ramazanov (Kazakhstan). In his opinion, in the EAEU countries, barriers to companies that evade taxes work inefficiently.

Dmitry Bobryshev, adviser to the tax policy Department of the financial policy Department of the Eurasian Economic Commission, notes that the Commission analyzes the legislation of the EAEU member states in order to develop common transfer pricing rules [29]. At the same time, the EEC proceeds from the principle of comparative analysis of prices relative to market prices in order to change the tax base and add taxes. The EAEU should have common rules for confirming the market nature of prices in controlled transactions. Information exchange between tax authorities is to be organized as well, as in OECD, which will significantly reduce tax risks.

Among the main trends of control over transfer prices, the chief of Interdistrict Tax Inspection of Russia, Olga Kirova emphasized the selection of smaller transactions for control, market prices analysis and promoting independent adjustment of taxable base prior to the audit. In Russia, 5235 notifications were sent in 2017, 6305 in 2018, and only 3354 in 2019. Indicators for controlled transactions are also declining: in 2017, 243.5 million

transactions were identified for the amount of 109.4 trillion RUB, in 2018 – 285.5 million transactions for 170.7 trillion RUB, and in 2019 – only 17.9 million transactions for 66.5 trillion RUB. More than 2/3 of such transactions are internal. Interestingly, offshore accounts for only 1.1% of transactions, while CIS countries account for 0.9%. It can be assumed that due to tighter control, companies have become less likely to abuse transfer prices, but more eager to adopt new tax minimization schemes. Kirova considers the unreliability of information provided by taxpayers and low fines to be a significant problem [29].

The author believes that the 'Convention on the elimination of double taxation in connection with the adjustment of profits of associated enterprises' (Arbitration Convention), adopted within the EU in 1990, may be of particular interest to the EAEU countries. It introduced a reliable mechanism for eliminating double taxation when adjusting transfer prices. Many positive ideas of the Convention can be taken into account when developing similar document in the EAEU.

The Arbitration Convention aims to establish a special procedure to eliminate double taxation, which occurs if the authorized bodies of one state adjust the profit of one of the associated enterprises in the direction of increase. It applies to income taxes, including corporate income tax. The rules may be applied to any situation in which the profits of an enterprise of one state are also included in the profits of an enterprise of another state. In this case, an enterprise is considered broadly, including also enterprise's permanent representative offices in other state(s).

In the EAEU member states, transfer pricing is usually subject to tax control and audit. Customs authorities should also consider transfer pricing, especially when it comes to customs value determined in cross-border transactions with goods. However, currently, transfer pricing control with regards to customs in the EAEU is not carried out properly.

It is important to control transfer pricing not only in relation to tax control, but also customs value control since customs value understating or overstating may occur as a result of transfer price adjustments made after the release of goods. Transfer price adjustments can be made to working capital in the process of comparing receivable and payable accounts; to the payment terms specified in the contract; to the delivery terms; to the settlement currency; and to the volume. In countries where high direct taxes, including income taxes, are applied, companies that enter into inter-firm transactions want to return customs duties and taxes paid when importing goods. In this regard, after the release of

goods, they independently adjust the transfer price (which entails a change in the customs value), and then apply to the tax authorities to recover the taxes and fees paid. This is the phenomenon of 'manipulation of transfer prices'.

All EAEU countries should take into account Russian Federation's tax practice, in particular, transfer pricing control aspects. First, it is necessary to introduce a pricing agreement for customs purposes with mandatory indication of the possible transfer price adjustments at the end of a reporting period. Secondly, it is of interest to introduce the 'arm's length principle' for customs purposes as a basis for making changes to the customs value of goods.

It is advisable for customs authorities to legislate the list of documents to be checked in transactions with related parties, based on the recommendations of the World Customs Organization. This list should include documents about the organizational structure of the group of companies engaged in such transactions, financial documents, which contain information about the balance sheet, other documents containing information about transfer pricing method and details of the transaction with related entity.

It is mandatory to provide for penalties and other tax consequences in case of non-compliance of data on prices. However, to do this, it is necessary to establish a system of information exchange between tax and customs authorities on transfer pricing issues. It is of no less importance to eliminate conceptual differences in customs and tax legislation definitions. It is also necessary to conduct a full audit in case of transactions between related parties, since it is likely that transactions will not be conducted in accordance with market prices. It is advisable to fix the voluntary identification of changes in the customs value as a result of illegal transfer price adjustment by foreign trade participants. Such adjustment should serve as a basis for imposing fines and penalties.

In current industrial supply chains practice, the prevailing organizational structure is based on decentralized decision making. Clearly, there is a need to build in performance measurement mechanisms to facilitate efficient supply chain coordination. Transfer-pricing schemes are one instrument used to coordinate the actions of divisional managers and to evaluate their performance in a decentralized firm. The problem of using for customs purposes the prices formed in transactions between related parties is becoming increasingly pressing in modern conditions. It should be noted that the relationship of contractors, including formally independent organizations that

work within the framework of joint activities, indicates the likelihood of falsification of price information in foreign trade documentation. Transfer pricing is directly related to the manipulation of expenses, revenues, and costs between related entities in ways that are different from those under normal market conditions.

Summing up the experience already accumulated by the EAEU countries, the author offers the following directions for the development of legal supply chain strategy of relations in the field of transfer pricing in the EAEU states:

1. Development of uniform methods for controlling transfer pricing for all participating countries. Adoption of a regulatory legal act that coordinates uniform actions of fiscal authorities of the participating states.
2. Step-by-step unification of tax legislation taking into account previously concluded agreements on double taxation avoidance in order to develop uniform approaches to determining the market price. Generalization of international experience on tax control so that countries develop their own proficiency.
3. Approval of criteria for classifying business entities as interdependent ones in terms of transfer pricing and transactions between them.
4. Coordination of the methodology for determining market price based on international experience in tax control over transnational corporations, taking into account the latest international trends in the field of transfer pricing.
5. Improving and automating the mutual information exchange regarding the prices of goods (works, services) applied by independent taxpayers in order to control related parties' transactions.

The EAEU coordination structures, in particular the EEC, should analyze the possibilities for further implementation of the BEPS Action Plan within the EAEU. Based on the results of the analysis, proposals should be developed in the following areas:

- Proposals for general transfer pricing rules for controlled transactions (transactions controlled by tax authorities, including transactions with related parties). In this case, it is necessary to use the principle of comparative analysis of prices applied by taxpayers, relative to market prices, in order to change the tax base and add taxes.
- Proposals for uniform approaches to the mechanism of confirmation by taxpayers of the market nature of pricing in controlled transactions.

Thus, the main task of work within the EAEU is to prepare specific proposals and common standards for member states to improve and unify their systems of control over transfer pricing in global supply chain,

taking into account world experience and generally recognized international standards.

6. Conclusions

The purpose of this paper is to integrate the issue of transfer pricing and logistics costs to understand trade statistics and the operation of supply chains by using invoice-level data for a single globally sourced product of a multinational. The comparative analysis has shown that not all EAEU states have created an appropriate legal framework for regulating activities in the field of transfer pricing. At the same time, the practice of applying legislation in the EAEU countries is very different. In some of them, such as the Republic of Kazakhstan and the Russian Federation, the legislative practice is developing very quickly, while in other EAEU member states it is still at the initial stage of development.

In this regard, there is an urgent need to improve the system of control over transfer pricing in the EAEU member states.

When establishing the norms of the national tax legislation of the EAEU countries, it is advisable to use modern, proven and internationally recognized mechanisms for controlling transfer prices. In addition, the OECD Transfer Pricing Guidelines for Multinational Enterprises and Tax Administrations should be used as a basis, taking into account the latest changes.

It is relevant for EAEU to adopt an agreement similar to the Arbitration Convention. This will allow states to eliminate double taxation of income when adjusting tax base by applying a mechanism for controlling transfer prices. Thus, taxpayers' rights will be protected and conditions for tax authorities' effective work are to be created as well.

It is necessary to consider the provisions of basic international documents concerning terminology of transfer pricing legislation. It is also important to define common criteria for tax control and additional taxation to ensure uniform application of transfer pricing legislation by fiscal authorities within the EAEU. In addition, it seems appropriate to coordinate a doctrinal approach in case of disputed issues consideration in the judicial authorities with the involvement of independent experts of the EAEU member states.

References

- [1] "Control over transfer pricing in the EAEU member states", Financial law, Vol. 6., 2018
- [2] Borodin, A., Shash, N., Panaedova, G., Frumina, S., Kairbekuly, A., & Mityushina I, "The impact of the publication of non-financial statements on the financial performance of companies with the identification of intersectoral features", Entrepreneurship and Sustainability Issues, Vol 7, No. 2, pp. 1654-1665, 2019.
- [3] Bartelsman, E. J, *Why pay more? Corporate tax avoidance through transfer pricing in OECD countries*, London, Centre for Economic Policy Research, 2000.
- [4] Belkaoui, A, *Multinational Management Accounting*, NY, Quorum Books, 2015.
- [5] Cristea, A. D., & Nguyen, D. X, *Transfer Pricing by Multinational Firms: New Evidence from Foreign Firm Ownerships*, http://pages.uoregon.edu/cristea/Research_files/transferprice.pdf, Last access 15.02.2020.
- [6] Druly, C, *Management accounting for business*, Cengage Learning, 2016.
- [7] Dahlby, B, *Global Value Chains, Foreign Direct Investment, and Taxation*, http://papers.ssrn.com/sol3/papers.cfm?abstract_id=2179933, Last access 15.02.2020.
- [8] Gresik, T, "The taxing task of taxing transnationals", *Journal of Economic Literature*, Vol 39, No. 3, pp. 800-838, 2001.
- [9] Harrison, J., & Glyn-Jones, A, *Transfer Pricing Handbook: A Practical Guide for New Zealand Business*, Auckland, New Zealand, CCH New Zealand, 1999.
- [10] Ali, Sadaqut, and Muhammad Razi. "An Analytical Study of Pre-Trial Processes in Speedy Disposal of Cases in the Criminal Justice System of Malaysia." *International Journal of Criminology and Sociology* 9 (2020): 9-15.
- [11] Kindleberger, C. P., *Multinational excursions*. Cambridge, MA, MIT Press, 1984.
- [12] Lecraw, D. J, "Some evidence on transfer pricing by multinational corporations", *Multinationals and Transfer Pricing*, NY, St. Martin's press, pp. 223-240, 1985.
- [13] Philip, A, "Australia: Transfer pricing", *International Tax Journal*, pp. 9-14, 1997.
- [14] Robbins, S. M., & Stobaugh, R. B, *Money in the Multinational Enterprise: A Study of Financial Policy*, NY, Basic Books, Inc, 1973.
- [15] Tang, R., & Chan, K, "Environmental variables of

- international transfer pricing: A Japan-United States comparison*", Abacus, Vol 5, pp. 3-12, 1979.
- [16] Wundisch, K, *International Transfer Pricing in the Ethical Pharmaceutical Industry* (2 ed.), Amsterdam, the Netherlands, International Bureau of Fiscal Documentation, 2003.
- [17] Hirshleifer, J, "On the economies of transfer pricing", Journal of Business, pp. 172-184, 1956.
- [18] Fisher, J, "Contingency-based research on management control systems: Categorization by level of complexity", Journal of Accounting Literature, Vol 14, pp. 24-53, 1995.
- [19] Kaplan, R. S, *Advanced management accounting*, Englewood Cliffs, NJ, Prentice-Hall, 1982.
- [20] Borkowski, S. C, "Transfer pricing of intangible property harmony and discord across five countries", International Journal of Accounting, Vol 36, No. 3, pp. 349-374, 2001.
- [21] Eurasian Economic Union, <http://www.eaeunion.org/>, Last access 19.02.2020.
- [22] Exclusive.kz, How the membership in the EAEU is reflected in Kazakhstan?, <http://www.exclusive.kz/expertiza/politika/117221/>, Last access 19.02.2020.
- [23] Kuvaev, A, "Implementation of the BEPS Action Plan in the EAEU member states", Tax Bulletin, Vol 9, pp. 10-22, 2019.
- [24] OECD library, Model Tax Convention on Income and on Capital: Condensed Version, ilibrary.org/docserver/download/fulltext/2310081e.pdf, Last access 19.02.2020.
- [25] Finport.am, Transfer pricing supply chain strategys will come into force in Armenia on January 1, 2020, https://finport.am/full_news.php?id=38505&lang=2, Last access 19.02.2020.
- [26] Seidov, A, "Control over transfer pricing and arm's length principle", *Banking law*, Vol 4, pp. 1-13, 2016.
- [27] KPMG, Belarus: significant changes in transfer pricing rules from 2019, <https://home.kpmg/by/ru/home/services/tax/transfer-pricing-services.html>, Last access 19.02.2020.
- [28] Experience of the Republic of Belarus, https://studref.com/307387/ekonomika/opyt_ri_spubliki_belarus, Last access 19.02.2020.
- [29] Neg.by, The art of transfer pricing, <https://neg.by/novosti/otkrytijskusstvo->
- transferrnogo-cenoobrazovaniyac-19711, Last access 19.02.2020.